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March 15, 2017

*Via Electronic Submission*

David Seltz
Executive Director
Health Policy Commission
50 Milk Street, 8th floor
Boston, MA 02109

Re: Performance Improvement Plans (958 CMR 10.00)

Dear Executive Director Seltz:

Steward Health Care System LLC (Steward) is New England's largest community-based accountable care organization, encompassing ten hospital campuses and over 3,000 physicians and specialists, as well as nurses, home health, behavioral health and allied services professionals. Steward is strongly committed to curbing health care cost growth in the Commonwealth and to providing high quality care in the most cost-efficient manner.

I write to provide comments regarding the proposed regulation governing Performance Improvement Plans (PIPs). Steward strongly supports a robust process that holds payers and providers accountable for their cost containment efforts, especially if an entity threatens the state's ability to meet the cost growth benchmark.

**Include the Weighted Average Payer Rate as a Factor in the Determination Process for a PIP for CHIA-Identified Provider Organizations**

As outlined in Section 10.04: Requirement to File a Performance Improvement Plan, the Health Policy Commission (HPC) can require a CHIA-Identified Entity to file a PIP if the HPC determines that the PIP could result in meaningful, cost-saving reforms. We suggest that the HPC explicitly include the Weighted Average Payer Rate (WAPR) as a factor in the determination process for a PIP. The WAPR weights the average payment to a hospital for each payer by the corresponding volume a hospital experiences by payer, and takes into account a hospital's payer mix and its reimbursement rates by payer. For example, if provider A has a commercial rate that is 20% higher than provider B, yet its payer mix is 20% commercial vs.

provider B's 80% commercial, then provider A is likely to be a better overall value for consumers.

The definition and calculation for the WAPR is as follows:
*On a health status/case mix adjusted basis, the sum of the inpatient revenue per discharge and outpatient revenue per visit is separately calculated for Commercial, Medicare, and Medicaid. A weighted average of the three resulting values is derived, with the Net Patient Service Revenue - based payer mix of the three payers serving as weights. Alternatively, it can be approached as total hospital revenue divided by total, case mix adjusted hospital discharges.*

The WAPR more accurately demonstrates the actual rates and costs of hospitals and by doing so, provides an "apples to apples" comparison among hospitals in Massachusetts. This methodological approach facilitates a more accurate understanding of the effect that any specific hospital has toward impacting the state's cost containment efforts and cost growth benchmark.

Specifically, we recommend that the HPC amend the language to include the WAPR in the section below:

*10.04: Requirement to File a Performance Improvement Plan.*

*(2) The Commission shall base its determination whether to require a Performance Improvement Plan on a review of factors, including, but not limited to:*

*(a) Baseline spending and spending trends over time, including by service category;*
*(b) Pricing patterns and trends over time;*
*(c) Weighted Average Payer Rate for CHIA-Identified Provider Organizations*
*(d) Utilization patterns and trends over time;*
*(e) Population(s) served, product lines, and services provided;*
*(f) Size and market share;*
*(g) Financial condition, including administrative spending;*
*(h) Ongoing strategies or investments to improve efficiency or reduce spending growth over time; and*
*(i) Factors leading to increased costs that are outside the CHIA-Identified Entity's control.*

We recommended to CHIA that it include a WAPR factor in its HPC Referral Methodology. We also recommended that the WAPR methodology be applied to physician organizations as a way to measure value. The combination of the WAPR as both a factor in CHIA's HPC Referral Methodology, as well as in the HPC's determination as to whether a provider organization should file a PIP will strengthen the process governing the cost growth benchmark, increase transparency, and hold providers and payers accountable as the health care system continues its shift to value, i.e. high quality, cost-efficient care.

Thank you for your consideration of our comments. We look forward to working with the HPC as it advances the Commonwealth's cost containment agenda.

Sincerely,

David Morales
Chief Strategy Officer

cc:
Ray Campbell
Executive Director
Center for Health Information and Analysis